

## Message Text

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ACTION TRSE-00

INFO OCT-01 EA-10 IO-13 ISO-00 NEA-10 PA-01 H-01 L-03  
SP-02 USIA-06 AID-05 EB-08 NSC-05 SS-15 STR-07  
OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-10  
NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 HA-05 EUR-12  
/129 W

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R 141104Z JAN 78  
FM USMISSION GENEVA  
TO SECSTATE WASHDC 5896  
INFO ALL OECD CAPITALS  
AMEMBASSY MANILA

LIMITED OFFICIAL USE SECTION 01 OF 02 GENEVA 02232

PASS TREASURY FOR BENGSTEN AND BRADFORD

E.O. 11652: N/A  
TAGS: EFIN, EAID  
SUBJECT: ASIAN DEVELOPMENT FUND REPLENISHMENT NEGOTIATIONS  
GENEVA FEB 13-14

1. THE SECOND MEETING AMONG THE DONOR COUNTRIES TO THE ASIAN DEVELOPMENT FUND WAS HELD IN GENEVA FEB 13 AND 14, 1978. DONOR COUNTRY DELEGATIONS FROM 17 COUNTRIES GATHERED WITH OFFICIALS OF THE ASIAN DEVELOPMENT BANK TO DISCUSS THE SECOND REPLENISHMENT OF THE ASIAN DEVELOPMENT FUND DESIGNED TO COVER THE CONCESSIONAL LENDING OF THE FUND OVER THE PERIOD 1979-82.

2. THE MAJOR ISSUES DISCUSSED AT THE MEETING WERE THE SIZE OF THE REPLENISHMENT AND THE TRIGGER MECHANISM. IN HIS OPENING STATEMENT, THE US DELEGATE (NACHMANOFF) STRESSED THE US POLITICAL COMMITMENT TO ASIA AND TO THE ADB. HE NOTED WE WERE WORKING HARD TO FULFILL PAST PLEDGED TO ADFII.

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HE SAID WE WERE UNABLE TO TAKE A DEFINITIVE POSITION ON THE SIZE OF THE US CONTRIBUTION TO ADFIII AT THIS TIME. HE STRESSED THAT THIS WAS THE FIRST REPLENISHMENT THE CARTER ADMINISTRATION WAS NEGOTIATING FROM START TO FINISH AND WE WANTED TO MAKE THE MAXIMUM CONTRIBUTION WHICH WOULD BE SUSTAINABLE. HE SAID OUR SHARE COULD NOT EXCEED 22.24 AND THAT WE PROBABLY WOULD NOT BE ABLE TO MAINTAIN OUR

SHARE OF 22.24 IF THE SIZE OF THE REPLENISHMENT WERE AT BANK'S PROPOSED TOTAL OF \$2.15 BILLION. PRIVATELY THE US INDICATED THAT WE WERE THINKING OF A CONTRIBUTION IN A RANGE THAT CENTERED AROUND \$400 MILLION. WITH REGARD TO THE TRIGGER, THE US DELEGATE SAID IT WAS PRIMARILY A MATTER FOR OTHERS TO DECIDE BUT HE EXPRESSED CONCERN ABOUT ANY ARRANGEMENT WHICH WOULD REQUIRE US CONTRIBUTIONS TO BE MADE IN DESCENDING ORDER OF SIZE. HE CAUTIONED AGAINST BASING THE TRIGGER DECISION ON SPECULATION ABOUT THE LIKELY REACTIONS OF THE US CONGRESS. US STATEMENT ALSO CONTAINED REFERENCE TO ISSUES OF APPROPRIATE TECHNOLOGY, ADF LENDING PROCEDURES, ADMINISTRATIVE EFFICIENCY AND HUMAN RIGHTS AND BASIC HUMAN NEEDS.

3. DURING THE DISCUSSIONS IT BECAME APPARENT THAT A MAJORITY OF COUNTRIES WERE STILL ABLE TO SUPPORT THE BANK'S PROPOSED TOTAL OF \$2.15 BILLION SUBJECT TO THE PROVISION THAT IT WAS AGREEABLE TO ALL COUNTRIES. BELGIUM AND CANADA JOINED THE US IN EXPRESSING DOUBT ABOUT THIS ABILITY TO MAINTAIN THEIR SHARE OF \$2.15 TOTAL. PRIVATELY THE CANADIAN DELEGATE SAID THEY WOULD TAKE THEIR SHARE OF A \$1.8 BILLION TOTAL AND THE BELGIAN SUPPORTED A \$1.85 BILLION FIGURE. NEW ZEALAND AND FINLAND WERE UNABLE TO AGREE TO PARTICIPATE AT THIS TIME. FRANCE, IN OBSERVER STATUS, ALSO INDICATED IT COULD NOT PROMISE TO JOIN ADF AT THIS TIME.

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4. MUCH OF THE SESSION WAS DEVOTED TO A THOROUGH DISCUSSION OF ALTERNATIVE TRIGGER ARRANGEMENTS, PARTICULARLY THE MODIFIED VIENNA FORMULA PROPOSED BY DR. MOLTRECHT OF GERMANY AND ELABORATED IN ONE OF THE WORKING DOCUMENTS PREPARED BY THE BANK. MOST OF THE DELEGATES SUPPORTED THE MOLTRECHT PROPOSAL IN PRINCIPAL BUT HAD SOME DIFFICULTIES WITH ITS PROPOSED MODIFICATIONS FOR USE IN ADFIII. THERE WAS A GENERAL RECOGNITION THAT THE MAIN OBJECTIVE OF THE TRIGGER MECHANISM SHOULD BE TO ACHIEVE EQUALITY OF TREATMENT AMONG DONORS, CONTINUITY OF BANK LENDING ACTIVITY OVER THE COURSE OF THE REPLENISHMENT AND OPTIMAL PRESSURE ON THE US TO MEET ITS COMMITMENTS ON SCHEDULE BUT NO CONSENSUS EMERGED ON THE BEST WAY TO ACHIEVE THESE OBJECTIVES. THE GROUP DECIDED TO ASK THE BANK TO PRESENT A VIENNA-TYPE TRIGGER ARRANGEMENT TAKING ACCOUNT OF THE POINTS RAISED REGARDING THE PROPOSAL PRESENTED IN THE BANK'S PAPERS (DOC. ADF 111/6).

5. THE CENTRAL THEME OF THE MEETING WAS THE US POSTURE TOWARD THE ADB. THE GERMAN DELEGATE (MOLTRECHT) COMMENTED ON THE FACT THAT THE ONE COUNTRY THAT WAS IN ARREARS IN ITS

CONTRIBUTION TO THE ADF WAS ALSO THE ONE THAT SOUGHT MOST ACTIVELY TO IMPOSE RESTRICTIONS ON THE BANK'S OPERATIONS AND REFERRED POINTEDLY TO THE LETTER FROM CHAIRMAN LONG TO THE BANK. THE SWEDE PAID PARTICULAR NOTE TO THE US ADMINISTRATION'S POSITIVE ATTITUDE TOWARD ASIA AND THE ADB AND WAS LESS CONCERNED ABOUT THE DETAILS OF THE TRIGGER. WITHOUT EXCEPTION THE OTHER PARTICIPANTS AT THE MEETING SEEMED TO RECOGNIZE THE GOOD INTENTIONS OF THE US ADMINISTRATION AND SEEMED TO BE MOTIVATED BY A DESIRE TO PROVIDE THE ADMINISTRATION WITH MAXIMUM LEVERAGE IN OBTAINING SUPPORT FOR ITS APPROPRIATIONS REQUESTS. A NUMBER OF DELEGATES SPECULATED ON HOW BEST TO DEAL WITH THE US CONGRESS AND THEIR POSITIONS REFLECTED THEIR VARIOUS

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R 141104Z JAN 78  
FM USMISSION GENEVA  
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INFO ALL OECD CAPITALS  
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PASS TREASURY FOR BENGSTEN AND BRADFORD

VIEWS ON THE TOPIC.

6. THE ISSUE OF HUMAN RIGHTS AND BASIC HUMAN NEEDS, INDOCHINA, AND THE marginally ELIGIBLE RECIPIENT COUNTRIES WERE TOUCHED ON ONLY VERY LIGHTLY DURING THE MEETING IN A NON-POLEMICAL FASHION.

7. IN HIS SUMMARY, THE CHAIRMAN CONCLUDED THAT THE VAST MAJORITY OF COUNTRIES STILL FAVORED A TOTAL REPLENISHMENT OF \$2.15 BILLION BUT THAT A FEW COUNTRIES WERE NOT PREPARED TO SUPPORT THAT LEVEL. HE HOPED THAT BY THE TIME OF THE

NEXT MEETING SCHEDULED FOR VIENNA SATURDAY APRIL 22 PRIOR TO THE ADB ANNUAL MEETING, ALL THE COUNTRIES WOULD BE IN A POSITION TO MAKE A FIRM COMMITMENT AND THAT AN AGREEMENT COULD BE QUICKLY REACHED. HE NOTED THAT A US INTENTION TO DOUBLE UP IN FY 1980 WAS AN ESSENTIAL ELEMENT OF THE REPLENISHMENT. HE SAID THAT ON THE BASIS OF VIEWS EXPRESSED AT GENEVA, THERE MIGHT BE DIFFICULTY IN REACHING LIMITED OFFICIAL USE

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THE \$2.15 TOTAL BUT THAT THE LEVEL SHOULD CLEARLY EXCEED THE \$1.8 BILLION FIGURE THAT HAD BEEN TALKED ABOUT EARLIER. VANDEN HEUVEL

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## Message Attributes

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